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agricultural SITUATION

the crop reporters magazine

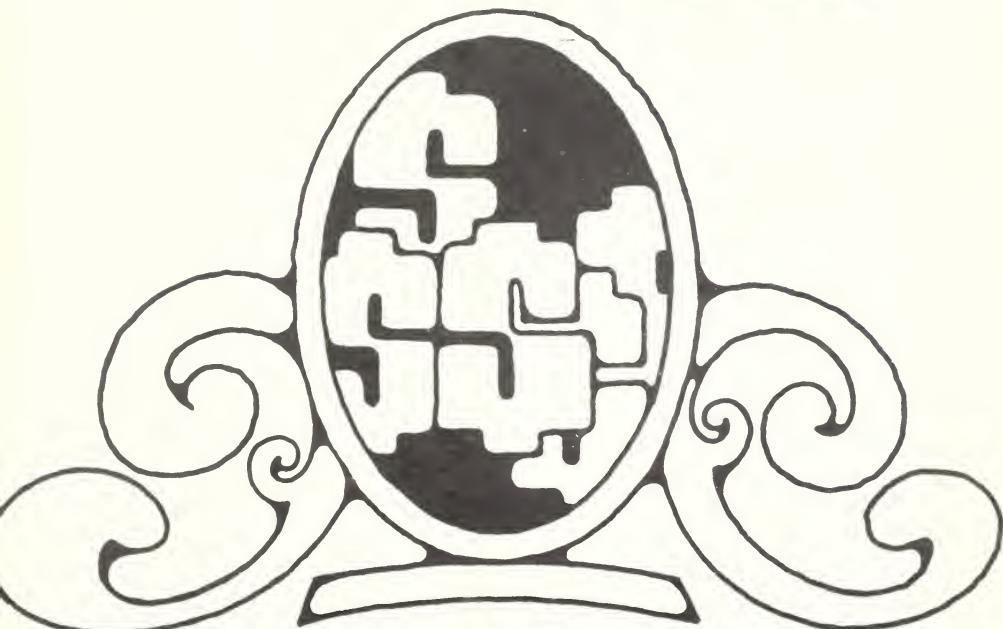
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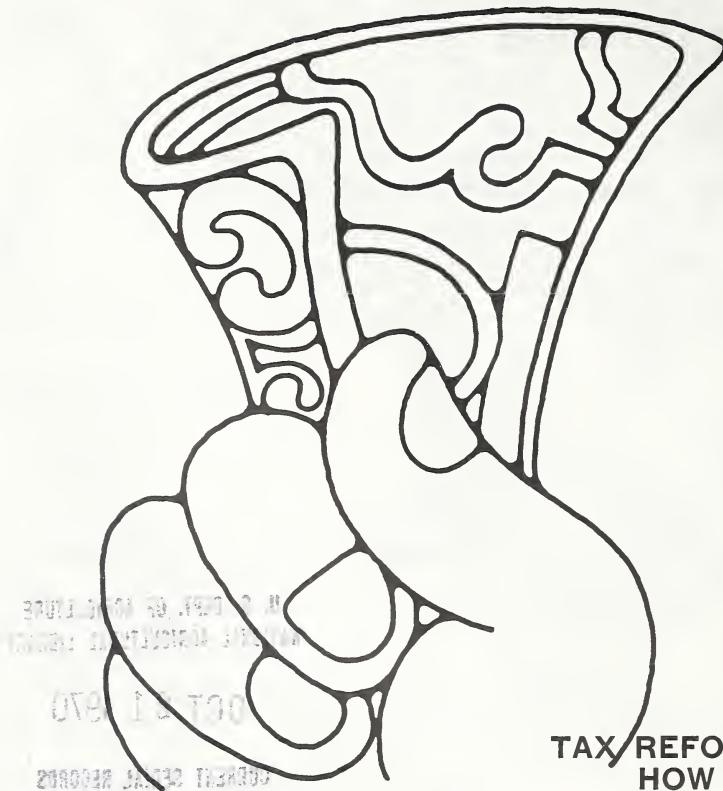
TAX
REFORM
HOW
IT
HITS
YOU

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TAX REFORM HOW IT HITS YOU

The tax reform bill enacted late in 1969 contains nine specific provisions aimed directly at farmers and ranchers—plus several more that will affect you as a general taxpayer.

Some of the revisions you probably noted when you did your 1969 return. Most, though, don't take effect until this tax year. But you should adjust your bookkeeping to conform to these changes now.

Holding period for livestock. Now you'll have to hold horses and cattle acquired after December 31, 1969, 2 years in order to qualify for capital gains treatment when they're sold. Other types of livestock, however, are still subject to only a 1-year holding period.

Recapture of livestock depreciation. Formerly, livestock used in the farm business were specifically exempted

from recapture of depreciation when they were sold. Now, though, if you sell any animal at a profit, all of the depreciation claimed after 1969 must be treated as ordinary income.

Livestock trading. Under the 1969 Tax Act, exchanging livestock of different sexes does not qualify for tax-free treatment under IRS' "like kind" exchange rules. This provision applies to all tax years covered by the Internal Revenue Code of 1954.

Crop insurance proceeds. If you're on a cash accounting system, you may now opt to defer reporting crop insurance receipts on a damaged or lost crop until the year in which you would normally have reported the sale of that crop.

Citrus grove development. All spending for purchasing, planting, cultivating, maintaining, or developing a citrus

grove must now be capitalized if incurred within 4 years after the grove is planted. But this rule doesn't apply to any costs for replanting all or part of a grove damaged or destroyed by freeze, drought, disease, pests, or other casualties. The rule also does not apply to groves planted or replanted prior to December 30, 1969.

Conservation costs. If you sell your land at a gain within 5 years after you buy it, you'll have to deduct all of the conservation expenses incurred after 1969 from your capital gains and treat them as if they were ordinary income.

For sales in the sixth through ninth year, though, the amount of soil and water conservation and land clearing expenditures recaptured is decreased by 20 percentage points a year. But there's no recapture if you hold the land for 10 years before selling. And there's no change in the tax law for soil and water conservation expenses you normally capitalize into the value of the land.

Limitation on farm losses. The 1969 tax bill still gives you the option of keeping your books on a "cash" basis (which means you can continue to write off most production expenses when they're incurred and report no income or gain until your property is sold).

But the revised law does tighten rules on "tax loss" farming, practiced by individuals with high nonfarm incomes who invest in agriculture and take deliberate bookkeeping losses to reduce their total tax loads.

Now and in succeeding tax years, if you use cash accounting you can still deduct the total amount of any farm losses that occur in any 1 year. But if your nonfarm income is \$50,000-plus, any farm losses over \$25,000 will go into an excess deductions account (EDA).

And if you don't reduce or eliminate the amount in this account by future ordinary income, your future sales of property otherwise eligible for capital gains treatment will be taxed as ordi-

nary income to the extent of the EDA balance.

Any farmer or rancher may use accrual accounting, though, and avoid the EDA requirement even if his non-farm income and farm losses are high enough to otherwise place him under the requirement.

Hobby losses. You can't deduct net losses from farms that aren't really being run for a profit. Any farm or ranch that fails to show profits in 2 out of 5 consecutive years (2 out of 7 for horse farms) may be considered a "hobby" farm and ruled ineligible for special farm tax treatment.

Tax filing dates. Tax filing dates, if you don't file an estimated return by January 15, have been extended from February 15 to March 1.

General provisions of the law that may make a difference to you include:

Repeal of investment credit. You can no longer take advantage of the 7-percent investment credit on any new property you acquired or began to construct after April 18, 1969. But you may still be entitled to it if your purchases or construction were in the works at that time. Check the law's fine print if you think you might benefit.

Tax-free reinvestment. You now have 2 years instead of 1 in which to reinvest, tax free, the proceeds of an involuntary sale of similar or related property.

Real estate depreciation. The 1969 Tax Act limits the so-called fast methods of depreciation on real estate other than land. Any new farm buildings started or contracted for after July 25, 1969, are restricted to 150 percent declining balance depreciation. In the case of used buildings, you can only use straight line depreciation. (But you can still take the 150 percent declining balance on used buildings acquired or contracted for before July 25, 1969.)

Income averaging. Say you have a really good year and your income climbs 20 percent over what it averaged in the prior 4 years. Now you can

TAX TAKE

elect to use the income averaging method to lower your total taxes. Formerly, your adjusted taxable income had to be a third larger than the prior 4-year average.

Capital gains may now be included in income for averaging—a big plus for farmers.

Capital gains tax. You can still take advantage of the alternative 25-percent capital gains tax on the first \$50,000 of your long-term capital gains. But over this amount, the tax rate is increased to 29½ percent in 1970, 32½ percent for 1971, and 35 percent for 1972 and after. The corporate capital gains tax rate is now up to 28 percent and will be 30 percent next year.

Subchapter S retirement plans. Any Subchapter S shareholder-employee (an employee or officer who owns more than 5 percent of the corporation's stock) has to count as taxable income any corporation contributions to his retirement plan that exceed 10 percent of his salary or \$2,500—whichever is less. The Subchapter S is the corporate form used by many family farms.

Higher personal exemptions. This year your own personal exemption and each of your dependents' will be \$625. And it'll go up more in later tax years—to \$650 for 1971; \$700 for 1972; and \$750 for 1973 and after.

Bigger standard deductions. The old 10 percent standard deduction with a \$1,000 ceiling is increased to 13 percent with a \$1,500 limit for 1971; 14 percent with a \$2,000 limit for 1972; and 15 percent with a \$2,000 ceiling for 1973 and later.

Now is not too early to consider how the tax reform act will affect you at tax time next year. For more details on the provisions we've outlined above, check with your tax man. He'll also be able to help you assess your own specific tax situation.

Personal property taxes no longer play as big a role in the farmer's overall tax bill as they used to.

Of the \$2.7 billion (preliminary estimate) farmers shelled out for property taxes to State and local governments in 1969, only 16½ percent—\$446 million—was for personal items. Back in 1952, 22 percent of the bill had come from assessments on personal property.

More and more States are doing away with personal property taxes because assessment is so difficult. At least nine States exclude all personal items from taxation, and most don't tax intangibles (money, stocks, bonds, etc.) or personal effects (jewelry, clothing, etc.).

Livestock, principally cattle, represented more than half of the farmer's personal property taxed in 1969; farm machinery, more than a fourth. The rest was motor vehicles and household furniture.

To give our readers a clearer picture of U.S. farming in all its modern diversity, Agricultural Situation presents the seventh in a series of farm photo-essays. These farms have been selected by USDA farm management specialists as typical of good commercial farm businesses in various production areas.

They are not average farms . . . they are definitely above average. But they are not showplaces either. They represent the modern farm businesses that can be readily found in their production areas, and which produce the bulk of America's farm products today.

PORTRAIT OF A FARM

Wendell Eley is an Iowa Corn Belt farmer who sells no corn. He feeds his corn to hogs instead—and markets nearly 500,000 pounds of pork on the hoof each year.

Hog production doesn't take a big investment—but it does take quite a lot of labor and a high degree of management skill. The Eley family provides both. They put in $1\frac{3}{4}$ man-years of labor, and the management skills Mr. and Mrs. Eley acquired while both were growing up on swine-producing farms.

On 450 acres of land, the Eleys can produce the corn to fatten some 2,200 vigorous cross-bred piglets per year into 220-pound market hogs. They also sell about 6,000 bushels of soybeans. Gross



income for the farm is nearly \$100,000 per year.

Eley concentrates his effort on the hog production, hires a custom operator to harvest his grain. Yields average 100 bushels per acre. Most of the corn is stored at the local elevator which mixes their feed and delivers it back to the farm in bulk.

Except for the harvest, the Eleys do their fieldwork themselves. They have two large tractors for plowing and other heavy work, two small ones for chores. Eley hires some fieldwork help in the summer.

The Eleys and their four children have just moved into a new three-bedroom home on the farmstead. Both Mrs. Eley and her husband attended Westmar College in northwestern



Iowa. They are active in the Farm Bureau and Wendell is a trustee of their local church. Mrs. Eley is a substitute teacher in the local school, and has been a volunteer leader of the local 4-H Club.

Management is the key to hog profits. Eleys' farrowing pens are heated, and the pipe framework protects the little pigs from a careless roll-over by the mother.

The Eleys time breeding so that sows start giving birth during mid-December, in batches of 30 to 35 each. Eleys save about eight pigs per litter. Baby pigs have their tails and needle teeth clipped and get iron shots before they're 5 days old. At 4 to 6 weeks, they'll be weaned and moved to another barn to make room for the next batch.

The 17-acre dry lot is cross-fenced so the hogs can be grouped by weight and age. Eleys raise about 1,000 hogs in winter, 1,200 in the spring. Hogs are sold at $5\frac{1}{2}$ to 6 months.



WORLD FEED GRAIN OUTLOOK

The world is changing its diet. The view is for 138.1 million metric tons of meat to be consumed in 1980, 58 percent more than in 1965.

The spreading taste for meat could mean a nearly two-thirds increase in livestock feed by the end of this decade. USDA economists say that about 2 pounds more meat per person, worldwide, requires a total increase of 13 million tons of feed grains. Experts project that the 317 million tons of grain fed to livestock in 1965 may soar to 515 million tons by 1980.

The developing countries expect to upgrade their meat intake the most, 84 percent from 1965 to 1980—they started from a lower base than other sections of the world. These countries may more than double their 1965 use of feed grains. Some of these needs will be met with imports and others by diverting grain production to feed.

Central plan countries—USSR, Communist Asia, Eastern Europe—may increase meat consumption 46 percent. Their need for feed grain would go up almost two-thirds. Developed countries could increase meat demand 42 percent, accompanied by a rise in feed grain of 51 percent. Developed countries are more efficient users of feed grains which helps explain some of the differences in grain requirements.

Although any grain can be fed to livestock, coarse grains (in international trade: oats, barley, corn, and grain sorghums) comprise the bulk of the world's harvested livestock feed grain. The United States is by far the world's leading producer, user, and exporter of coarse grains—and is likely to hold these positions through 1980. In 1964-66, the United States produced nearly 30 percent and consumed

about a fourth of the world total.

Europe's Economic Community and Japan are the leading importers of coarse grains, virtually all for animal feed. If the six EC countries continue to absorb only their present 13-million-ton annual imports, Western Europe will need at least 21 million tons of coarse grains in 1980. But the EC countries are more likely to double usage by 1980.

Largest single nation importer of coarse grains, Japan, also is likely to double its 1965 imports to over 10 million tons by 1980. And this could go to at least 13 million tons if the demand for meat in traditionally vegetarian Japan quickens.

Even though the developing nations exported 5 million tons, net, of coarse grains in 1965, they seem destined to become importers. Imports are projected to range from 5 to 18 million tons by 1980.

Much of the heightened world demand appears slated to be met by traditional world granaries.

Some of the world suppliers will jockey their grain trade positions in years ahead. Canada's world trade in coarse grains sagged deeply between 1951-53 and 1963-65. It dropped, regionally, from second place—supplying a fifth of world needs—to sixth place with only a 4-percent share. Canada is not projected to resume former prominence. On the other hand, the EC increased its share of world trade in coarse grains from a slim 1.3 percent to a significant 11.3 percent during the same period. Many developing countries, now limited grain exporters, could increase their trade, and some others, not now shipping grain, could become net exporters.



SPOTLIGHT ON THE OLD DOMINION



The story of Virginia's agriculture began in 1607 when the men of Captain John Smith's little ships sailed up the James River in search of gold.

They found no gold, but they did discover a golden "weed"—tobacco—being grown by the Indians. The weed turned out to be the economic salvation of the colony—and even today is the Old Dominion State's leading cash crop, worth \$90 million annually.

Tom Stuart, statistician in charge of SRS' Crop and Livestock Reporting Service in Richmond, recently gave us a rundown of Virginia agriculture through the centuries.

As early as 1613, 6 years after the Jamestown colony was founded, the first small consignment of tobacco was

shipped to England. And by 1620, when the Pilgrims were landing at Plymouth Rock, Jamestown was exporting 55,000 pounds of tobacco a year. This business continued to grow and 20 years later, over a million pounds of the golden leaf were shipped to England.

But Virginia has always raised much more than tobacco. The Old Dominion, though not one of the great farming areas from the standpoint of income, has a highly diversified agriculture.

Livestock account for 55 percent of the State's farm income. Milk is the leading livestock product, contributing more than \$100 million annually. But beef cattle are of almost equal import-



tance, with sales totaling almost \$90 million a year.

Eggs can claim third place on the livestock side with income close to \$40 million annually. Next in economic importance are: broilers, \$36 million; hogs, \$35 million; and turkeys, \$13 million. Rockingham County, Va., is the leading turkey-producing county in the Nation and accounts for about half the State's total.

On the crop side, of course there's tobacco. (Incidentally, one of Stuart's crop reporters, W. N. Stoneman, Jr., who operates the Varina farms on the James River, is even now cultivating the very land where John Rolfe grew tobacco in the 17th century. Rolfe is credited with being the first commercial tobacco planter, although he's better known as the husband of Indian princess Pocahontas.)

Peanuts are the Old Dominion's No. 2 crop, worth roughly \$30 million. Southampton County is the largest peanut producing county in the country.

Next come soybeans which have registered a sevenfold increase in production since World War II. Income from this crop is now over \$20 million a year.

Apples are fourth in the crop rankings at \$17 million. Virginia is usually fourth or fifth in U.S. production.

Potatoes, sweetpotatoes, and commercial vegetable crops combined return the State's farmers about \$30 million a year. The Eastern Shore, separated from the rest of the State by the Chesapeake Bay, is one of the leading areas in the East for these crops.

Forests cover over 60 percent of Virginia's land area and the manufacture of wood products buttresses the State's economy.

Wood-using firms include seven pulpmills, over 1,000 sawmills, and approximately 50 furniture plants. The annual timber harvest is worth \$50 million before it is removed from the forest. This value approaches \$900 million when manufactured into furniture, paper, and allied wood products.

FARM SALES . . .

CO-OPS CAPTURE A QUARTER

Farmer-owned cooperatives did \$17.4 billion worth of business in 1968-69, boosting sales about 1.7 percent above the foregoing year.

Marketing cooperatives, which act as sales agents for many farmers, accounted for \$13.4 billion of the total, or nearly one-fourth of all U.S. farm sales.

Marketing co-ops got started in California in the early 1900's, when citrus growers banded together to protest freight rates to Eastern markets. During the 1920's and 1930's more farmers joined co-ops to get better prices, create their own selling outlets, and break monopolies. These units enable farmers to assemble the volumes necessary to sell more effectively in today's mass market.

Marketing co-ops sell 90 percent of the Nation's lemons and nearly 10 percent of the vegetables, most of walnuts, cranberries, and other specialty crops. However, their high dollar sales are in dairy products, grains and soybeans, and livestock.

Marketing units number about 6,000 of the almost 7,750 co-ops. They vary from simply organized first-handler groups to highly integrated organizations that grow, process, package, and merchandize farm products.

The 1,056 dairy co-ops did the most business during 1968-69, marketing over \$4.6 billion worth of milk and other dairy products.

Generally, dairy cooperatives contract with their members to collect and process the milk, then sell the products to distributors. The cooperatives rarely buy the milk, but last year they handled 60 percent of farm production.

Last year, 2,555 cooperatives sold \$2.7 billion in soybeans and grain. Soybean cooperatives, especially those in

Iowa, Georgia, Arkansas, and Missouri, are often integrated operations that process beans and market oil and meal.

However, the grain cooperatives, though they handled 40 percent of the Nation's grain last year, are mostly first-handler operations. These co-ops rarely mill flour or bake bread; however, in recent years they have become fairly important exporters.

Livestock and livestock products worth almost \$1.9 billion were sold through cooperatives last year. These 421 co-ops accounted for around 15 percent of the Nation's livestock sales by specializing in transportation and commission selling, often through their member-owned sales ring.

Estimated marketings of farmer cooperatives during 1968-69. (Excludes business between cooperatives.)

Item:	Business volume (millions)
Beans and peas (dry edible) --	\$32.6
Cotton and products-----	531.7
Dairy products-----	4,641.7
Fruits and vegetables-----	1,697.0
Grain, soybeans, meal, and oil -----	2,662.4
Livestock and products-----	1,851.8
Nuts -----	232.9
Poultry products-----	531.6
Rice -----	333.5
Sugar products-----	593.2
Tobacco -----	260.4
Wool and mohair-----	21.1
Miscellaneous -----	54.2
Total -----	13,444.1

STASHING GRAIN

Storing grain is an old practice. The ancient Chinese believed, cyclically, that 3 lean years would follow 7 years of plenty and worked accordingly.

Today, grain storage in most developed countries relates more to market demand than to putting some aside for lean years. A reasonable supply of grain in storage allows an even flow to market, avoids an erratic fluctuation of prices, and provides a cushion against short crops. And in a bumper year, storing the excess is imperative to stave off losses to the farm economy.

Supplies are generally largest at harvest and prices lowest. Many farmers keep their grain until prices improve, or to feed to their livestock. Commercial storage facilities handle large quantities. Government-sponsored storage programs take some of the excess grain off the market.

Modern grain storage is complex. There are billions of bushels in widespread caches across the country. Keeping track of the quantity and location of this grain is the responsibility of the SRS Crop Reporting Board.

Reports of stored grain help farmers gage how much to plant, what prices to anticipate. The information aids in livestock buying and feeding programs.

Stock and production estimates which indicate total supply are a strong determinant of acreage and production allotments for various programs. With increasing farm efficiency practices, stock estimates become a major tool in pricing and disposing of farm products.

The effect of grain stock reports is seen in this year's prospective durum wheat crop. Three years ago output was 66.4 million bushels. It moved to 99.5 million in 1968 and to 106.3 million last year. The July 1968 carryover totaled 24 million bushels, a year later it was 41 million, and this July carryover was 77 million bushels. Farmers reacted by cutting durum wheat production for 1970 by about half.

As early as 1883, grain storage was important enough to the farm economy to call for a regular annual report on wheat and corn stored on farms. Summaries were made after the marketing season. Reports of grain stored off farms began in 1919. The frequency of the reports and commodities included varied through the years to accommodate needs.

The background information about on-farm stocks, naturally, comes from producers. Many farmers voluntarily reply to questionnaires about production and how much remains on the farm. SRS also uses probability sampling—obtaining responses from a representative list of farmers by mail, telephone, or from personal interview. Now used in 12 North Central States, the technique will be applied in other States as funds and facilities become available.

To establish off-farm stocks, SRS first had to determine total storage capacity in elevators, terminals, mills, processing plants, warehouses, and elsewhere. And the list must be kept current. SRS enumerates some 85 percent of the off-farm storage capacity for their estimates.

The quarterly report of Stocks of Grains estimates wheat, rye, corn, oats, barley, sorghum grain, soybeans, and flaxseed on and off farms by States. Rice stocks are reported separately, four times yearly, also as of the first of the month. A special soybean report is issued in September.

The July 1 release of second quarter storage this year showed declines in stocks of corn and grain sorghum more than offset increases in oats and barley stocks. The 77 million tons of stored feed grains were down 3 percent from a year earlier. Heavier livestock feeding in response to accelerating demand for beef was the likely reason.

Meanwhile food grains piled up. July 1 wheat stocks were up 8 percent and rye stocks nearly a third more than a year earlier.



outlook

Digested from outlook reports of the Economic Research Service.
Forecasts based on information available through September 1, 1970

CASH RECEIPTS, first half 1970, topped the year-earlier mark by about 1.1 billion and stood at \$21 billion. This would put the seasonally adjusted annual rate at an estimated \$49 billion, well above the 1969 figure of \$47.2 billion.



GROSS FARM INCOME, January-June, jumped to more than \$56 billion and exceeded first half 1969 by \$2 billion. Prices received by farmers through June were running about 5 percent higher than a year before, while the volume of marketings was up slightly.



REALIZED NET FARM INCOME is estimated at about the same rate as last year, despite the upsurge in gross income. Inflationary pressures in the general economy pushed up farm production expenses during the opening half of 1970, eroding most of the gain in farmers' gross incomes.



PRICES for farm products will likely drift moderately below year-earlier levels by late 1970, primarily because farmers are expected to market increased quantities of livestock and livestock products. However, prices for the major crops should hold up fairly well, reflecting a tighter supply balance for several crops. Although the average prices for all farm products will be down by the closing months of 1970, they may top 1969 for the year as a whole.



HOG SLAUGHTER in the fourth quarter is expected to be 10 percent or more above a year earlier. Slaughter rates are expected to continue high through 1971's first half. Prices are anticipated to decline as the slaughter rate expands.



HOG WEIGHTS will likely drop under year-earlier levels this fall because producers will try to sell as soon as they can in light of a sliding market. Thus pork production may be up, but it will be up less than the slaughter rate.

FED CATTLE prices were strong in the summer but are expected to ease somewhat during the fall when competing meat supplies become larger. Fall marketings may be as large or a little larger than last year, even though on July 1 there were fewer cattle on feed in weight groups that furnish most fall slaughter supplies.

●

LAMB SLAUGHTER during the remainder of 1970 is expected to run below year-earlier levels because of the smaller 1970 crop. However, the lambing rate (number of lambs saved per 100 ewes 1 year old and older on January 1) at 96, was 3 points above 1969 and a record high. Thus, larger slaughter supplies will be on hand than earlier anticipated.

●

WHEAT MARKETING during 1970/71 is brightened by probable decreases in carryover stocks. The U.S. supply is somewhat below that of last year and demand is likely to continue strong through 1971. Also, the world wheat harvest is expected to decline by 5 percent for the second year in a row. Exports are expected to match or better the 610 million bushels of 1969/70.

●

THE RYE SUPPLY for 1970/71 is estimated at 58 million bushels, the largest since 1943, due to a 33-percent rise in beginning stocks and 15-percent increase in production. The 1970 rye crop is currently placed at near 36.2 million bushels, an 8-year high.

●

RETAIL FOOD PRICES . . . up steeply last fall and winter . . . held relatively steady during the summer with only the usual seasonal upswing. Prospects for this fall are for a downturn beyond seasonal moves if the red meat supply—pork particularly—increases as expected.

●

YEAR'S FOOD PRICES will probably run 5 percent ahead of the 1969 pace, basically because of boosts felt near the start of this year. Through the end of the year, prices at the store may average 3½ to 4 percent above the second half of 1969 . . . the cost of eating out could advance 7 to 7½ percent in the remaining months of 1970 over that period of last year.

●

NET UTILIZATION of food products is expected to total 1½ percent over last year. Over 1 percent more crop commodities will probably be used, while livestock utilization will likely go up 2 percent. Use of feed . . . not counted in the crop commodity tally . . . is expected to run about 4½ percent higher.

A MARKET BASKET full of farm foods retailed for \$1,226, annual rate, in the second quarter of 1970. The increase from first quarter was only one-tenth of 1 percent, the smallest quarterly rise since late 1968.

FARMER'S SHARE of the market basket averaged \$484, or about 4.4 percent off the level recorded in the first quarter of this year. Lower farm prices for animal products, offset increases for fresh fruits and vegetables and soybeans.

OF EVERY DOLLAR consumers spent for farm foods during the second quarter, farmers got 39 cents. This was the first quarter of the last six that the farmer's portion had slipped under 40 cents.

STATISTICAL BAROMETER

Item	1957-59 average	1969	1970—latest data available	
Farm output, total	100	122	122	August
Crops	100	121	121	August
Livestock	100	121	121	August
Prices received by farmers	100	114	113	July
Prices paid by farmers, interest taxes, wage rates	100	127	133	July
Parity ratio (1910-14 = 100)	—	74	74	July
Consumer price index, all items	100	128	136	July
Food	100	126	133	July
Disposable personal income (\$ bil.)	321.5	629.7	684.0	(²)
Expenditures for food (\$ bil.)	66.3	103.6	113.0	(²)
Share of income spent for food (percent)	20.6	16.5	16.5	(²)
Farm food market basket: ¹				
Retail cost (\$)	983	1,173	1,236	July
Farm value (\$)	388	477	498	July
Farmers' share of retail cost, percent	39	41	40	July
Realized gross farm income (\$ bil.)	36.5	54.6	56.2	(²)
Production expenses (\$ bil.)	24.9	38.6	40.1	(²)
Realized net farm income (\$ bil.)	11.6	16.0	16.1	(²)
Agricultural exports (\$ bil.)	4.2	5.7	.6	July
Agricultural imports (\$ bil.)	3.9	4.9	.5	July

¹ Average quantities per family and single person household bought by wage and clerical workers 1960-61 based on Bureau of Labor Statistics figures.

² Annual rate, seasonally adjusted second quarter.

FERTILIZER FACTS

For the ninth year in a row, farmers applied record-high amounts of fertilizers to their fields. SRS reported that fertilizer consumption in the United States and Puerto Rico totaled 38.9 million tons for the year ended June 30, 1969.

The new record, topping the previous year by one-half of 1 percent, fell much below the up to 7 and 8 percent increases per year earlier in the 1960's. However, the weather did not favor fertilizer application during 1968/69, especially in the Corn Belt.

The 1960's were a time of rapid expansion for fertilizer production and use. Consumption rose 54 percent from 1958/59 to 1968/69. But tremendous expansion in production facilities enlarged supplies beyond demand and prices fell accordingly.

Last year's consumption was only up slightly, but domestic supplies for 1969/70 were 11 percent more than the previous year's. Estimated supplies of nitrogen were up 13 percent, phosphate, up 6 percent, and potash, up 12 percent.

From 1960 to 1968 prices fell 2 percent, in an era when land, labor, and other inputs increased sharply. After 1968, the downturn was more drastic for certain individual fertilizers.

Anhydrous ammonia whose use

soared during the 1960's, probably reacted most strongly to the price changes. In 1959, the national average price was \$147 a ton. By 1966, it had declined to \$119. The April 1970 price, \$75 a ton.

Urea and ammonium nitrate prices have also dipped, but not as dramatically.

Farmers paid \$1.2 billion for fertilizers in 1960—4.6 percent of their total production expenses for that year. In 1968, they bought about \$2 billion worth, just under 5.4 percent of production expenses. For their money, they got 24.9 million tons of fertilizer in 1960 and 38.7 million in 1968.

WORTHY WASTE WATER USE

One promising way of beating the agricultural pollution problem may be to use farm waste water to irrigate crops not intended for human consumption.

Experiment station scientists in Mississippi encountered no unusual difficulties when they applied municipal waste water on inedible crops—including no appreciable buildup of nitrates in soil water.

The results of the Mississippi trials are also applicable to animal waste lagoons on farms. However, the scientists note that these animal wastes may be richer than municipal wastes.

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Editor: Geraldine Schumacher

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